Changes in price fixation policy

†646. SHRI RAJ MOHINDER SINGH MAJITHA:
DR. MURLI MANOHAR JOSHI:

Will the Minister of PETROLEUM AND NATURAL GAS be pleased to state:

(a) whether it is a fact that the consumer sale price of petroleum products such as petrol, diesel, Kerosene oil and LPG are being fixed on the basis of import cost and administrative cost and not on the basis of actual production cost;

(b) if so, the details in this regard;

(c) whether it is also a fact that the Rangarajan Committee appointed by Government have expressed its disapproval over the said price fixation policy of Government in its report; and

(d) if so, the reasons for not changing price fixation policy by Government so far?

THE MINISTER OF STATE IN THE MINISTRY OF PETROLEUM AND NATURAL GAS (SHRI DINSHA J. PATEL): (a) to (d) With the declared intention of moving towards market-determined pricing for petroleum products, Government announced the dismantling of the Administered Pricing Mechanism (APM) effective 1.4.2002. Since PDS kerosene and domestic LPG are fuels of mass consumption and largely consumed by the economically vulnerable sections of the society, it was decided that subsidies on these two products would continue on a specified flat rate basis to be met from the fiscal budget.

However, in view of the steep increase in international oil prices, the Government in June, 2004 elucidated the principle which would govern its policy of containing the burden of increase in international prices on consumers of sensitive petroleum products. It was decided that the burden should be equitably shared by consumers, the Government and the oil companies. Thus, the full impact of the international price increase has not been passed on to consumers of sensitive products. There has been no increase in the price of PDS kerosene since March, 2002, and no increase in the price of domestic LPG since November, 2004. Only small increases have been made in the price of petrol and diesel.

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†Original notice of the question was received in Hindi.

In order to formulate a long term policy, the Government had constituted an Inter-Ministerial Committee under the Chairmanship of Dr. Rangarajan to examine different aspects of pricing and taxation of petroleum products. As per recommendation of Rangarajan Committee, the pricing of petrol and diesel was changed from import parity to trade parity basis (weighted average of import and export parity price in the ratio of 80:20). The custom duty on petrol and diesel was reduced to 7.5% from 10% with effect from 16.6.06, reducing the protection of the refineries further. Thus, Government have accepted the major recommendations of Rangarajan Committee.

Demand and supply of CNG

†647. SHRI RAVI SHANKAR PRASAD:
SHRI RAM JETHMALANI:

Will the Minister of PETROLEUM AND NATURAL GAS be pleased to state:

(a) whether it is a fact that Government have decided to make CNG available in other cities keeping in view of its increasing use in transportation;

(b) if so, the details thereof; and

(c) the assessment about the demand of CNG and supply through indigenous production in the country?

THE MINISTER OF STATE IN THE MINISTRY OF PETROLEUM AND NATURAL GAS (SHRI DINSHA J. PATEL): (a) and (b) The Government's intention is to facilitate the availability of CNG in a greater number of cities. The enactment of Petroleum and Natural Gas Regulatory Board Act, 2006 and the proposed formulation of the 'Policy and development of Natural Gas Pipelines and City or Local Gas Natural Gas Distribution Networks' are steps intended to encourage public and private investment in CNG networks in cities.

CNG supply in Delhi and Mumbai is being done by Indraprastha Gas Limited (IGL) and Mahanagar Gas Limited (MGL) respectively. The Hon'ble Supreme Court identified 12 most polluted cities, *viz.*, Agra, Lucknow, Kanpur, Varanasi, Pune, Faridabad, Ahmedabad, Sholapur, Hyderabad, Bangalore, Kolkata and Chennai, where CNG has to supplied. Out of these, CNG is being supplied to Agra, Kanpur, Lucknow, Ahmedabad and Hyderabad, as

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